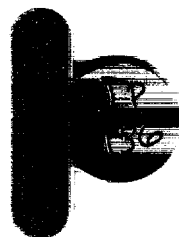


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USSR - Soviet Merchant

Project: **IP-136**

OFFICE OF RESEARCH AND ESTIMATES

Project Initiation Memorandum

Date: **30 June 1950**

To: **D/EE**

From: Publications Division, Projects Planning

Subject: **Soviet Merchant Marine**

Statement of Project: **25X1A**

Origin: **Internal** [REDACTED]

Problem: To furnish information on:  
a. The Cominform Shipping Co.  
b. Insurance of cargoes carried in Soviet ~~in~~ bottoms  
Scope: c. Active and proposed Soviet trade routes  
d. Ship building facilities within the Soviet orbit  
e. Ruses used to conceal Soviet ownership  
f. Status of lend-lease ships held by Russia  
g. Status of US ships sold to China on which mortgages are on default

Graphics (if any):

Form: **Memorandum**

Draft due in D/Pub: **10 July 1950**

Dissemination deadline  
(if any)

Responsible Division: **D/EE**

Internal Coordination:

Departmental Responsibilities:

Classification to be no higher than: **Secret**

Recommended Dissemination: **Requester only**

Approved For Release 2000/04/17 : CIA-RDP79T01049A000200050006-5

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Over Intelligence contact with ORE

ORE Division:

D/EE (

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OPC Representative:

25X1A

(arranged by

Time and place: 26 June 1950, 1500, Room 2134 "Q" Bldg

Subject: Follow-up on discussion of Yugoslav shipping

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51701

1P-136

28 June 1950

MEMORANDUM FOR: D/Pub, ORE  
25X1A

ATTENTION : [REDACTED]

SUBJECT : Soviet Merchant Marine

REFERENCE : Case [REDACTED] 25X1A

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25X1A 1. At a meeting on Monday 26 June 1950, between [REDACTED] of ORE and [REDACTED] of OPC, [REDACTED] requested information on the following:

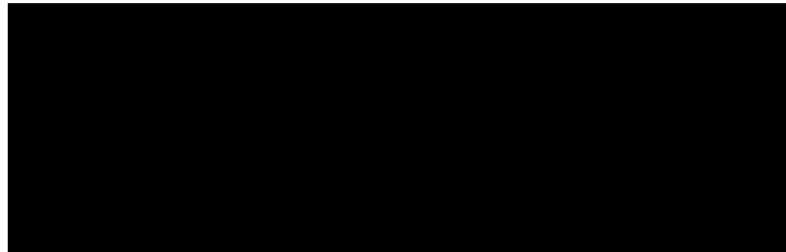
- a. The Cominform Shipping Company
- b. Insurance of cargos carried in Soviet bottoms
- c. Active and proposed Soviet trade routes
- d. Ship building facilities within the Soviet orbit
- e. Ruses used to conceal Soviet ownership
- f. Status of lend-lease ships held by Russia
- g. Status of U.S. ships sold to China on which mortgages are on default

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2. This memorandum is to confirm the request for the above information. It is our understanding that answers to the above will be ready by 10 July 1950.

3. [REDACTED] of this office on extension 3215 is prepared to answer any questions pertinent to this request.

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ROUTING AND RECORD SHEET

**INSTRUCTIONS:** officer designations should be used in the "To" column. under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "To" column. Each officer should initial (check mark insufficient) before further routing. This record and routing sheet should be returned to Registry.

<b>FROM:</b> 25X1A <div style="background-color: black; width: 100px; height: 20px; margin-top: 5px;"></div>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>NO.</b></td> <td style="width: 50%;">27167</td> </tr> <tr> <td><b>DATE</b></td> <td>28 June 1950</td> </tr> </table>	<b>NO.</b>	27167	<b>DATE</b>	28 June 1950
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TO	ROOM NO.	DATE		OFFICER'S INITIALS	COMMENTS
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Publications Division, Projects Planning


20 July 1950

D/EE

Soviet Merchant Marine

In compliance with the request of June 30, 1950 there is sent herewith a report on certain aspects of Soviet maritime activities.

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IP-136

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SOVIET MERCHANT MARINE

a) The Cominform Shipping Co.

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The essence of the scheme, [REDACTED] involves the formation of a Soviet-dominated German or German-Polish-Czech shipping concern to operate eight lines on a world wide basis, partly from Polish ports but principally from Hamburg. Vessels for the company are to be obtained from the Gdynia-America Line and from foreign purchase and construction. Trained personnel are to be recruited from among the many unemployed seamen and agents of the Hamburg-America Line. The major portion of the line's trade will be with the Far East, particularly China.

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[REDACTED] Plans has progressed rapidly, with conferences being held in Moscow, Warsaw, Berlin and Prague. The expectation at that time was that operations would begin within three months. To date, however, no further information has been received. (See Appendix A)

A plethora of world shipping exists, thus making vessels available for Soviet purchase. The unemployment of west German seamen and Hamburg-America personnel is an established fact. A known basis for trade between China and the Soviet orbit exists, and the development of that trade is an obvious Soviet objective. Moreover, the formation of a worldwide shipping line would facilitate the organization of underground Communist activity in non-Communist countries and enable the Soviets to disrupt western shipping by such practices as rate-cutting. Financial loss to Western lines would cause subsequent unemployment and unrest among Western crews. Trouble-making is one of the reported objectives of the plan.

25X1X Although a continued increase in orbit merchant shipping is to be anticipated, it is not considered likely that the increase will follow the exact pattern described [REDACTED]

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[REDACTED] They undoubtedly know that there is little likelihood that the organization of a Soviet-sponsored shipping company in Western Germany would be approved by the occupying powers; but a veto would gain votes for communism. Actually, there are no firm indications as yet that the USSR intends to build a joint satellite world shipping line with either Polish vessels or those acquired from Poland. The USSR has, since late 1949, taken over two (now possibly three) of the largest Gdynia-America Line

passenger vessels, and further transfer of Polish ships to the USSR is expected. To date however, the passenger vessels have not been reported used outside the Black Sea since their entry there immediately following their transfer. The coal and ore carriers secured from the Poles are scarcely suited to other than their present Baltic employment, their transfer merely serving to reduce Polish freight earnings and employment, and build up those of the USSR, although some rate cutting by both USSR and Polish vessels has taken place against Scandinavian vessels.

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The motives behind the Soviet approach [REDACTED] are therefore difficult to determine. Possible the USSR merely intended to cause some alarm among western officials by the threat of a competitive Soviet shipping company. More likely, however, a Cominform shipping company - possibly under East German auspices - has been seriously advocated by some segments of the satellite Communist hierarchy but not yet adopted as a Moscow directive, and perhaps had been negated by a later decision to keep ships as much as possible in Russian hands, in case of war, rather than to build up employment of German and satellite crews, perhaps politically unreliable in emergency.

b) Insurance of Cargos carried in Soviet Bottoms.

Cargo insurance for western shipments made in Soviet vessels is handled for the most part by western marine insurance concerns. However, the USSR has its own foreign insurance agency, Ingosstrakh, which is available for this service. To date there is no evidence indicating any difficulty experienced by western shippers attempting to insure, with western concerns, cargos to be moved by Soviet vessels. The Soviet agency itself does some reinsurance business with western marine insurance firms.

In case of Western boycott or insurance rate discrimination against Soviet orbit ships, it is thought Ingosstrakh could take over all business with little difficulty, unless it were made legally impossible for this company to sell insurance abroad.

c) Active and Proposed Soviet Trade Routes.

From available movement reports on Soviet vessels navigating outside the "Iron Curtain", a general picture of services between Soviet areas and nearby and distant foreign ports may be reconstructed. Such studies indicate that service on routes to both nearby and distant foreign ports does not conform to any fixed pattern, probably because normal trading relations do not presently exist. The Soviet practice seems to be to assign vessels to specific missions pursuant to Soviet trade agreements or spot sales and purchase arrangements. Because of this and the long and irregular lay-overs of individual vessels in Soviet terminal areas, the number of vessels involved on a particular route and their average turnaround times are difficult to establish. Vessels based in one area may be loaded for another Soviet base area and then be utilized on other trade routes out of the second area before returning finally to original base. Soviet overseas shipping is thus a tramp operation.

Another characteristic of Soviet vessel employment is the concentration of vessel operations in domestic trades and in the short routes between ports in the USSR and its satellites, and the infrequency and irregularity of



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services between Soviet ports and non-satellite countries, particularly the long voyage routes to Africa, Australia, and South and Central America, where traffic is near the zero point. There exists some traffic to North Sea and Channel ports, Mediterranean and United States Atlantic and Gulf ports, also from Vladivostok to China ports, but only five Soviet vessels called at South American ports during the year 1947, and no further calls have been reported since October of that year. No calls at Australian ports or African ports outside the Mediterranean have been reported in recent months. A very few ships are presently calling at United States Atlantic and Gulf ports, and since August, 1948 several ships have visited India. Calls at Malayan ports are fairly common at present. ~~The following paragraphs give a more detailed description of current ship traffic by areas, follows:~~

Except for a fairly regular schedule between the Baltic, Antwerp and United Kingdom, all services are very irregular. Several vessels may sail for a common destination within a few days of each other and there may be no further sailings for several weeks. The voyage turnaround time varies widely, and is often inordinately long, probably due to the age and poor condition of the vessels, particularly in the shorter trades, as well as to poor despatch at Soviet ports. The Liberty vessels are apparently used mostly in the longer routes, but they are tramped from area to area without much regard for maintenance of regular service. Considering the size of the Soviet merchant fleet, the relatively small number of vessels operating outside of areas under Soviet control is noteworthy.

Baltic. The operations of the Estonian and Latvian Companies out of Tallinn and Riga seem to be confined almost entirely to traffic within the Baltic to Finnish, Polish, Soviet-controlled German, and Swedish ports. There is some vessel traffic to Denmark and occasional sailings, averaging perhaps one a month, to North Sea and Channel ports as far as La Havre. No fixed schedules, regularly maintained, have been reported. There would probably be no more than one or two vessels of these lines outside the Kattegat on any one day.

The vessels of the Baltic Company at Leningrad are not permanently assigned to fixed routes but are tramped more or less in accordance with trade requirements, and there seem to be no regular sailing frequencies. The principal routes now in use are to (a) North Russia - Murmansk and/or Archangel, (b) Norwegian ports, (c) North Sea and Channel ports including United Kingdom, and (d) Black Sea. No significant numbers of voyages from the Baltic to other parts of the world have been reported in recent months.

The Black Sea. Of the vessels (1000 gross tons and over) believed to be located or operating in or out of the Soviet Black Sea area, movement reports have been received on 33 freighters, 12 combination vessels and 10 tankers. Of these about 15 freighters and 3 combination vessels appear to make voyages to ports outside the Dardanelles. None of the figures are constant because of the involvement of vessels from other areas and transfers of Black Sea vessels to other base areas. Of all the vessels assumed to be in the Black Sea area at any one time, only about half have been reported on in the past year. The principal Soviet ports in point of export and import tonnage are Odessa and

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Novorossisk.

For traffic within the Black Sea and the Sea of Azov, the Caucasian port of Tuapse is used as the home port for the tanker fleet which serves the more important ports of the area, notably Rostov, Sevastopol, Odessa and Constantza, and which loads at Tuapse and the important oil port of Batum. The principal passenger routes are from Odessa to Crimean ports, ports on the Don River and Caucasian ports, and Constantza and Stalin (Varna) in Rumania and Bulgaria. Four passenger ships operate regularly on a Black Sea loop between Odessa, Crimean ports, and Novorossisk. Varna, Constantza, Odessa, Kherson, Sevastopol, Kerch, Rostov, Novorossisk, and Batum are the principal freighter ports of call, the main home ports being Odessa and Rostov. Vessels of the jointly owned, Soviet-controlled SOVRONTRANSPORT Company participate in this intra-area traffic from Constantza. Reporting is currently inadequate to tabulate the exact schedule characteristics of this intra-area traffic.

Far Eastern. The operations of the Sakhalin Company are confined to coastwise and inter-island traffic in the Siberian-Pacific area within the Kamchatka-Kurile orbit, ~~and~~ There are insufficient reports of movements from *this area* which to discern the exact route and schedule characteristics.

The Far Eastern Company is apparently set up to operate Soviet vessels on all of the principal trade routes between Vladivostok and foreign ports on the Pacific Ocean basin, but there has been no Soviet service to or from North, Central, and South America, Australia or South East Asia since mid-1948, except for a few vessels which called at United States Pacific coast ports enroute from Europe to Vladivostok via Panama, and a few vessels transferred from the Black Sea area as previously mentioned.

The operations of the Far Eastern Company thus seem to be confined to general cargo traffic with Dairen and North Korean ports, to local distribution of bulk oil in tankers at Siberian-Pacific ports and to traffic along the eastern end of the Northern Sea Route. That traffic in the Siberian Coastal and Island area may be fairly heavy, however, is indicated by the fact that more than half the total Soviet merchant fleet of vessels of 1000 gross tons and over are presently in this area, or roughly twice the number and tonnage of such vessels in the Black Sea and Baltic base areas respectively. There have been recently about five Soviet ships per month calling at Japanese ports.

Arctic. There is a great deal of seasonal traffic of Soviet merchant ships between the Baltic and Arctic, as well as between the Pacific and Arctic, as mentioned in the preceding paragraph. More than thirty freight ships are known to sail from Baltic ports at the beginning of the Arctic navigational season, ~~and~~ These do not return to the Baltic until September or October.

The Arctic navigational season begins about mid-July and lasts through September of each year. Exact dates vary, of course, according to the thickness of ice. More than 100 ships, drawn from both the Northwestern and

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Pacific fleets, are employed in the Arctic each season. Due to the slow movement possible for convoys through the ice, usually only one round trip to ports along the route from either the western or eastern end is possible for each ship per season. The Arctic Sea Route serves industrial and mining installations throughout Northern Siberia, connecting with River navigational systems which feed into the Arctic Ocean.

Although ships employed on the Northern Sea Route do not as a rule traverse the entire route, a ship does occasionally appear in Vladivostok or in the Baltic at the end of the Arctic navigational season after having last been sighted at the opposite end of the route. During the 1948 season, for example, three ships which had been sighted early in the season in Far Eastern waters appeared later in the Atlantic, ~~and~~ four ships which had appeared earlier in the Atlantic were later sighted in the Far East, none of these ships having been observed to use the conventional sea lanes ~~outside of the Iron Curtain~~. Aerial observation of ice movements and increased use of ice breakers leading convoys are methods employed to extend the Northern Route navigational season.

\* \* \* \*

The opening of additional routes in the future is likely to be connected with the development of trade between China and the East European satellites. The proposed formation of a Cominform Shipping Line, discussed under (a) above, bears directly on this development. A basis for trade between the two regions is being established through trade negotiations between China on the one hand and Poland, Czechoslovakia, and Eastern Germany on the other. Informal barter agreements have been concluded between China and Poland and Czechoslovakia.

d) Shipbuilding Facilities within the Soviet Orbit.

Since the war Soviet shipyards have been engaged almost exclusively in naval building, and construction of seagoing merchant vessels has been mainly in the satellite area. Seagoing merchant shipping built in the USSR was probably less than 25,000 gross tons in 1949. For the most part, however, construction in satellite yards has involved vessels and fishing boats of under 1000 gross tons. The exceptions are discussed in the following paragraphs.

Hungarian shipyards, principally the Ganz yard at Budapest, are building oceangoing vessels of 1100 and 2200 gross tons for delivery to the USSR. Construction of these types began shortly after the war, and ~~seven~~ had been delivered by mid-1949, two of 2200 tons and eight of 1100 tons. At that time a total of thirty of the larger type were reported scheduled for production. They are reinforced against ice for use in Arctic waters. To date, however, none of them has been reported outside the Black Sea. On the other hand, six of the 1100 ton vessels were transferred from the Black Sea to Vladivostok between August and December, 1949, and four more newly completed vessels of the same type were delivered in May and June of this year. The captain of one of

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them stated in Singapore that there are now twenty-seven of these 1100 ton, Hungarian-built vessels, and that they are produced in one and one-half months each. This information is not confirmed, ~~and~~ There have been no reports of deliveries of more than ten of these ships to the USSR. Another estimate of the current production rate at the Ganz shipyard is four cargo vessels per year.

Poland is the only other orbit country known to be building oceangoing merchant vessels for the USSR,<sup>1/</sup> and to date the only new construction delivered has been one 2600 ton coal and ore carrier. However, a second vessel of the same type is now completing tests prior to similar delivery, and two 4000 ton dry-cargo vessels, now building, will be transferred to the USSR on completion. It is reliably reported that all vessels produced hereafter in Polish yards will be turned over to the USSR. However, the capacity of the Polish shipbuilding industry is very limited; estimated maximum output is 10,000 gross tons per year. The yard at Gdansk alone is capable of building oceangoing vessels, ~~and~~ Since the war its total production has amounted to four of the 2,600 ton coal and ore carriers. Any large increase in production is prevented by shortages of materials and skilled labor.

There is a possibility that East German shipyards may eventually produce new vessels for the Soviet merchant fleet. To date, new construction has been limited to fishing craft, but repairs have been made on vessels up to 12,000 gross tons, including the Russ (ex Cordillera), Asia (ex Der Deutsch), and Hansa (now underway). ~~and~~ There are good indications that yard facilities are undergoing expansion to fit them for the production of new vessels of 1000 gross tons and over.

The three yards engaged in this Soviet repair work are at Rostock, Warnemuende, and Wismar. Together they employ over 14,000 men, whereas in Poland a maximum of 10,000 are employed in the entire shipbuilding industry. Eventually new construction may be expected from the German yards. For the present, however, they are working on a backlog of salvageable ex-German vessels sunk in the Baltic,<sup>2/</sup> while the small amount of new merchant vessels built for the USSR by the satellites continues to be furnished principally by yards in Poland and Hungary.

During and immediately following the war, a substantial addition to the Soviet merchant fleet was acquired by the absorption of Latvia and Estonia into the USSR and through Finnish and German reparations, as shown in the following table:

- 1/ A report that the yard at Braila, Rumania is building 1000 ton cargo vessels for the USSR at a rate of 10 per year is unconfirmed.
- 2/ These include, in addition to the three named above and the 8,800 ton Sibir (ex-Oceana) completed in April, 1949, the following vessels:

Medvyeski	3000 tons	(ex Apia)
Irkut	922 tons	(ex Harold Schroder)
PRIMORJE	2990 tons	(ex Salon)
Ilya Repin	1358 tons	(ex Bugard)
Ljuban	1381 tons	(ex Antares, Finnish)

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<u>Source</u>	<u>Number of Ships</u>	<u>Gross Tonnage</u>
Latvia	14	31,477
Estonia	15	26,394
Finland	38	83,135
Germany	89	283,283
Total	156	424,289

An undetermined number of ex-Japanese ships is believed to have been salvaged since the war, but information as to their names and movements has been unobtainable, to date.

As of 31 December, 1949 the USSR had made agreements with other countries for the construction of 104 vessels of 100 gross tons and over, totalling 145,330 gross tons. However, delivery dates extended to 1955, and actual construction had commenced on the following only, in addition to the construction in Polish and Hungarian yards discussed above.

6	Approximately 1100 ton refrigerator ships in Sweden
5	3000 ton cargo ships in Belgium
7	1500 ton trawlers in Belgium
1	12,000 ton tanker in Denmark

Deliveries prior to 31 December, 1949 included twelve 350 HP tugs from Italy; 207 fifty HP tugs and 175 wooden lighters from Japan; the major portion of 499 reparations vessels from Finland, including thirty 3000 ton, twenty-five 2000 ton, and two hundred 1000 ton barges, and ninety 300 ton motor schooners. Approximately 150 fishing vessels were delivered to the USSR by Eastern Germany in 1949, and 214 are planned for delivery in 1950. Sweden is also building fifty fishing craft for the USSR, but part of this order may have been cancelled.

e) Communist Controlled Shipping Under Other Flags.

As of January 1, 1950 the Communist merchant marines were as follows:

<u>Flag</u>	<u>No. of Vessels</u> (1000 gross tons and over)	<u>Gross Tonnage</u> (thousands)
Bulgaria	3	9
Estonia	14	23
Hungary	1	1
Latvia	9	19
Poland	39	154
Rumania	4	18
USSR	432	1,331
US Vessels Lend-		
Leased to USSR	83	518
Total USSR	515	1,849

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To these figures must be added 43 ships of 109,504 gross tons listed as flying the Chinese Communist flag. <sup>Ten</sup> of these vessels of 25,840 gross tons are listed as laid-up at Hong Kong or Singapore, but there is some evidence that a few of these may have gone to Red China in the last week.

There are 46 Chinese Nationalist owned vessels of 148,193 gross tons now under the flags of Panama, Liberia, or Canada. In some cases owners or part owners of these vessels may be resident in areas under Chinese Communist control, and it is possible that at least a part of this fleet may therefore be subject to some Communist influence. As an example, a report of July 11, 1950 says that of June 1950, 7 vessels belonging to the Ming Sung Company were flying the Canadian flag but that the Chinese crews were loyal to the Communist government. The Nationalist Chinese owner was trying to sell the ships but purchasers could not be guaranteed that delivery could be made to them on account of the crew's attitude.

The extent of Chinese Communist influence on vessels flying the Chinese Nationalist flag is not known ~~in~~, but is reported to be large. There were about 500,000 gross tons of shipping under the Chinese Nationalist flag as of January ~~1~~, 1950.

No direct USSR financial interest in vessels flying the flags of Western countries is known to us. However, the Garibaldi Steamship Company (Italian) owning or operating some 65,000 gross tons of shipping, has a decidedly Communist complexion. The company is a cooperative owned by sailors, a number of whom are reported to be Communists. The general manager is reportedly a Communist.

There is some Communist influence in other merchant marines, but apparently no other companies known to us are under Communist control. Data are imperfect, however.

f) Status of Lend-Lease Ships held by Russia.

As of February, 1950 the Soviet merchant fleet totalled 530 vessels of 1000 gross tons and over, or 1,868,359 gross tons. Of this number, 83 ships of 517,725 gross tons were on lend-lease from the U.S. Persistent efforts by the U.S. to secure the return of these ships have been completely unsuccessful. Nevertheless another attempt to arrive at some settlement is now pending.

The Soviet merchant fleet is, even with the inclusion of all United States-loaned vessels, definitely overage, of low speed and small size, and close to obsolete by modern standards. Of the total fleet 63.0% by number and 56.9% by gross tonnage are over 20 years old with 16.3% of the tonnage actually being over 40 years old. Of the United States-loaned vessels, 38 of the 83 are under 10 years old and the other 45 over 20. Excluding these 83 the preceding percentages are 64.7% by number and 60.7% by gross tonnage older than 20 years with 15.3% of the number and 11.6% of the tonnage older than 40 years.

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The large portion of the total fleet included in the 10-through 12-knot group (59.5% of the number and 65.0% of the gross tonnage) reflects the large number of low-speed U.S.-loaned vessels of which 75 are in the 10-12 knot group and 8 in the under-10-knot group. A very low percentage of 8.5% of the number and 12.8% of the tonnage is of 13 knots or over with only 2 vessels having speeds of 18 knots or more.

Regarding propulsion, 21.5% of the fleet number and 35.3% of the tonnage is driven by oil fired steam plants (either reciprocating, turbine, or a combination of the two). Seventeen percent by number and 19.7% of the tonnage is motor driven, and hence a total of 38.5% of the number and 55.0% of the tonnage uses oil as fuel. Sixty-one and five-tenths percent of the number and 45.0% of the tonnage is coal burning.

By vessel size the largest proportion (75.5%) of the number are under 5,000 gross tons with another 20.1% in the 5,000-7,499 gross tons group. Of the 104 vessels in the latter group, however, 72 are United States-loaned. Gross tonnage percentages in this summary show great disparity from percentages by number, with only 51.7% of the gross tonnage being under 5,000 gross tons and 36.1% being in the 5,000-7,499 gross ton group. Only 7 vessels, or 1.3% of the entire fleet, are over 10,000 gross tons.

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**SECRET**g) Status of US Ships Sold to China on which Mortgages are in Default

The US Maritime Commission sold 33 ships to China, amounting to 169,137 gross tons. Of these, 4 have since been returned ~~to the~~ and 4 of 12,843 gross tons have defected to the Communists but are not actually in Communist Chinese government hands. Three are laid up in Hong Kong waters and one in Singapore. In addition to these Maritime Commission sales the Export-Import Bank financed purchase of 10 vessels of 18,720 gross tons by the Chinese. Of these 3 of 5,655 gross tons have defected to the Communists but are, like the Maritime Commission ships, reportedly laid up in Hong Kong.

Mortgages have been defaulted on all of the vessels until recently, but the Chinese Nationalist Government apparently made a substantial payment in July which may have cleared up mortgage arrears on most of the fleet still in its hands. Nevertheless, it is unlikely that payments can continue to be made, and therefore proposals are understood to have been made to the Chinese Nationalist Government to take 20 vessels back, and guarantee employment to the remaining number so that future indebtedness could be met out of earnings. This proposal is too recent ~~for us to have knowledge~~ as to the outcome. *To provide information*

As of July 17, 1950 the vessels which had defected to the Communists were still in Singapore and Hong Kong, respectively. A rumor that the Hong Kong vessels would attempt to go to a Communist port shortly, has not as yet been borne out by action. The State Department is still endeavoring to prod the British Government into turning the ships back to ~~us~~, or at least to prevent their being added to the Communist merchant fleets available for future amphibious operations. No promises have as yet been made by the British in either Hong Kong or London. *The U.S.*

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APPENDIX A

25X1X [REDACTED] the Hamburg representative of the Cominform Shipping Company has recently returned from a conference in Moscow which was attended by Satellite and Chinese representatives including Vice Premier Ulbricht of the GDR who recently told East Germans that it will not be long before they will again have a merchant fleet operating on a world-wide basis. At the conference it was decided that operations of the company will begin in a few weeks between Baltic ports (and Hamburg, if possible) and North African and Mediterranean ports. Initially, 200,000 tons of shipping, "to be acquired from Scandinavian countries with Polish funds now in Switzerland", will be employed by the company. The company, it was reported will be formed in Poland and operate under the Polish flag.

25X1X The major differences between this and former plans involve (1) the procurement of ships, which previously were to be acquired from the Polish fleet and by purchase from England and Scandinavia, and (2) the routes to be operated. In March [REDACTED] most of the shipping was to be used in trade with China. At present no negotiations are known to be taking place with Scandinavian countries for either the construction or purchase of such a quantity of vessels. Furthermore, the volume of trade between North African and Baltic ports is not believed to be potentially great enough to warrant the employment of a fleet of 200,000 tons.

25X1X This latest report, therefore, bears out the conclusion, reached in section (a) of this memorandum, that firm plans for the formation and operation of a Cominform Shipping Company have not been made. Nevertheless, 25X1X persistent and contradictory rumors of its imminent formation, [REDACTED] serve Soviet purposes by confusing western officials and maintaining German hopes, both western and eastern, for participation and employment in the proposed organization. 25X1X

25X1X [REDACTED] This information is only a few days old and presumably the inquiry has been made since the start of the Korean operations. It is certainly well known to the Communists that American ships cannot be purchased for foreign flag operation without the approval of the US Government. That approval would obviously not be given for Communist operation and therefore this report is probably a further step in the Cominform shipping company war of nerves.

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Note: The classification of this memorandum must be raised to conform to the classification of the draft it covers.

Date 21 JULY 50

MEMORANDUM FOR CHIEF, PUBLICATIONS DIVISION

SUBJECT: Transmission of Draft Report

ENCLOSURE: IP-136 SOVIET MERCHANT  
(Cas [REDACTED] MARINE (2 copies))

25X1A

1. Enclosure is forwarded herewith for review and, if required, for formal coordination with the departmental intelligence organizations.

2. This draft report has been coordinated informally with the organizations checked below:

Within CIA:

D/GI	<input type="checkbox"/>	D/NO	<input type="checkbox"/>
D/In	<input type="checkbox"/>	D/LA	<input type="checkbox"/>
D/Tr	<input type="checkbox"/>	D/WE	<input type="checkbox"/>
D/EE	<input type="checkbox"/>	D/Ma	<input type="checkbox"/>
D/FE	<input type="checkbox"/>	D/EC	<input type="checkbox"/>
D/NE	<input type="checkbox"/>	Other	<input type="checkbox"/>

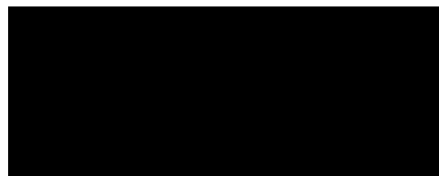
Outside CIA:

State (OIR)	<input type="checkbox"/>
Army (ID/GSUSA)	<input type="checkbox"/>
Navy (ONI)	<input type="checkbox"/>
Air (AID)	<input type="checkbox"/>
Other	<input type="checkbox"/>

3. Maps and/or Graphics to be included in this report and arrangements completed for their production by the Map Division or the Presentation Staff are as follows:

4. Comments:

25X1A



D/EE  
Division